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INFO	LOG-00	COPY-01	ADS-00	AID-00	INR-10	SS-00	CIAE-00
	DINT-05	DODE-00	H-01	ARA-00	NSAE-00	L-03	TRSE-00
	PM-10	OPIC-07	CEA-01	OMB-01	STR-17	INRE-00	FRB-03
	OES-09	ACDA-12	USIE-00	JUSE-00	SP-02	DOEE-00	SNP-01
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FM AMEMBASSY BOGOTA
TO SECSTATE WASHDC 9697
INFO USDOC WASHDC

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E.O. 12356: N/A
TAGS: EPET, ECON, ASEC, PTER, CO
SUBJECT: TOUR OF OCCIDENTAL FACILITIES
REF: (A) BOGOTA 7329, (B) BOGOTA 8663

1. SUMMARY: CHARGE TOURED OCCIDENTAL PETROLEUM'S PRODUCTION FACILITIES AT CANO LIMON, ARAUCA, ON SEPT 3, ACCOMPANIED BY COLOMBIA'S NEW AMBASSADOR TO THE US, VICTOR MOSQUERA CHAUX; AND OCCIDENTAL EXECUTIVES. OCCIDENTAL IS PUMPING 200,000 BPD, THE MAXIMUM PERMITTED BY THE GOC; CAPACITY IS ROUGHLY 250,000 BPD. PRODUCTION HAS SUFFERED ONE SERIOUS SETBACK SINCE ECOPETROL, THE STATE OIL COMPANY, ASSUMED OPERATION OF THE PIPELINE IN JANUARY: IN JUNE MORE THAN A WEEK'S WORTH OF PRODUCTION (ABOUT 1.5 MILLION BARRELS) WAS LOST WHEN POOR MAINTENANCE FORCED A SHUTDOWN OF THE PIPELINE. OCCIDENTAL'S MOST IMMEDIATE PROBLEM NOW, ACCORDING TO GOVERNMENT AFFAIRS DIRECTOR, IS OBTAINING WORK VISAS FOR THE COMPANY'S 88 FOREIGN EMPLOYEES. END SUMMARY.

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2. CHARGE'S TOUR OF OCCIDENTAL'S FACILITIES WAS FIRST BY EMBASSY OFFICIAL SINCE MAY 20 (REF A). HE WAS ACCOMPANIED BY VICTOR MOSQUERA CHAUX, COLOMBIA'S NEW AMBASSADOR TO THE US; ECONOFF AND SEVERAL OCCIDENTAL

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UNITED STATES DEPARTMENT OF STATE
REVIEW AUTHORITY: OSCAR J. OLSON
DATE/CASE ID: 29 OCT 2002 200201334

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EXECUTIVES.

3. OCCIDENTAL FACILITIES: HOUSING AND RELATED FACILITIES FOR 125 EMPLOYEES HAVE BEEN COMPLETED AT THE COMPANY'S PRINCIPAL PRODUCTION SITE. FACILITIES INCLUDE A CLINIC WITH A FULL-TIME DOCTOR AND NURSE, CAFETERIA, COMMON ROOMS, TWO TENNIS COURTS, AND A HELICOPTER PAD. WORKERS FOLLOW VARYING SHIFTS DEPENDING ON WHETHER THEY LIVE IN NEARBY ARAUCA OR FARTHER AWAY. THE CAMP HAS A STORAGE CAPACITY OF 750,000 BARRELS, OR BETWEEN THREE AND FOUR DAYS' PRODUCTION AT CURRENT LEVELS. THE COMPANY PLANS TO BUILD A NEW TANK THAT WILL RAISE STORAGE CAPACITY TO 1 MILLION BARRELS AND ALLOW A FIVE-DAY CUSHION SHOULD THE 770-KILOMETER PIPELINE TO COVENAS BE TEMPORARILY SHUT DOWN FOR ANY REASON.

4. OIL PRODUCTION: OCCIDENTAL'S 200,000 BPD PRODUCTION IS THE MAXIMUM PERMITTED BY THE GOC; CAPACITY IS ROUGHLY 250,000 BPD. OCCIDENTAL WOULD LIKE TO INCREASE PRODUCTION TO 220,000 BPD BUT EXECUTIVES WOULD NOT SPECULATE ON WHETHER THE GOC WOULD GIVE ITS APPROVAL. PRODUCTION HAS BEEN SERIOUSLY DISRUPTED ONLY ONCE SINCE ECOPETROL ASSUMED OPERATION OF THE PIPELINE IN JANUARY. THAT WAS IN JUNE, WHEN THE PIPELINE WAS SHUT DOWN FOR MORE THAN A WEEK BECAUSE OF MAINTENANCE PROBLEMS. OCCIDENTAL EXECUTIVES SAID THE COMPANY LOST PRODUCTION EQUIVALENT TO 1.5 MILLION BARRELS.

5. SECURITY: FACILITIES ARE SURROUNDED BY FENCES TOPPED LIMITED OFFICIAL USE

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WITH BARBED WIRE, BUT OTHERWISE SECURITY APPEARS LIGHT, AS NOTED REF A. EXECUTIVES CONFIRMED THAT ATTACKS AGAINST THE PIPELINE ITSELF HAVE TAPERED OFF IN RECENT MONTHS, AS INDICATED IN REF B. THEY ATTRIBUTED THIS TO INCREASED ARMY PATROLS IN THE REGION.

6. VISA PROBLEMS: OCCIDENTAL'S VICE PRESIDENT FOR GOVERNMENTAL RELATIONS SAID THE COMPANY IS HAVING DIFFICULTY OBTAINING WORKING VISAS FOR ITS 88 FOREIGN EMPLOYEES, RANGING FROM FRONT-OFFICE EXECUTIVES TO PRODUCTION ENGINEERS. VISAS ARE VALID FOR THREE MONTHS ONLY, FORCING THE COMPANY TO SPEND CONSIDERABLE TIME KEEPING THEM CURRENT.

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7. COMMENT: THE ENGINEERING ASPECTS OF CANO LIMON, IMPRESSIVE AS THEY ARE, REPRESENT ONLY PART OF THE PICTURE IN WHAT COLOMBIANS HAVE COME TO CALL "SAUDI ARAUCA." AS RESPECTED EL TIEMPO COLUMNIST ENRIQUE SANTOS CALDERON WARNED IN A BITING ARTICLE SEVERAL DAYS AFTER CHARGE'S TRIP, THE REGION'S POLITICAL SITUATION IS NOT ENCOURAGING. CORRUPTION, HE NOTED, HAS ALREADY CONSUMED MUCH OF ARAUCA'S FIRST 2.5 MILLION DOLLARS IN OIL ROYALTIES: MANY PUBLIC WORKS CONTRACTS WERE AWARDED TO FIRMS WITH NO QUALIFICATION OTHER THAN A FAMILY TIE TO THE LOCAL LEADERSHIP. IN ADDITION, GUERRILLA STRENGTH REMAINS WORRISOME. THE LEFTIST UNION PATRIOTICA ALREADY RUNS THREE OF ARAUCA'S SIX MUNICIPALITIES, THE COLUMN NOTED, AND MAY WELL GAIN CONTROL OF THE REMAINDER IN THE MARCH MUNICIPAL ELECTIONS. THE UP IS THUS LIKELY TO ADMINISTER MUCH OF ARAUCA'S OIL ROYALTIES IN THE YEARS AHEAD. IF SANTOS CALDERON IS CORRECT, THE CURRENT GOVERNMENT HAS NOT BUILT A VERY IMPRESSIVE RECORD ON THIS SCORE, BUT UP ADMINISTRATION CLEARLY PRESENTS PROBLEMS OF ANOTHER SORT. ARAUCA AND ITS OIL BONANZA SHOULD BE VIEWED WITH

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THESE CONSIDERATIONS IN MIND.
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